



## **New Democratic leader Tom Daschle promises help Lieberman to conduct hearings on FERC's inaction**

Incoming Majority Leader Daschle has all but ruled out passage of federal price controls on soaring electricity costs in the face of opposition from the House GOP majority and President Bush - who last week rebuffed a plea from Gov. Gray Davis, a Democrat, for such controls. "We've got an uphill battle," Daschle said. "Even in Democratic ranks, there are differences of opinion ...about price caps."

For now, he added, the swiftest and most likely course of action would be passing legislation ordering the Federal Energy Regulatory Commission to more aggressively rein in electricity costs. "The possibility of passing price caps is not as great as other options that we could choose, especially the one forcing FERC to do its job," Daschle said. Sen. Dianne Feinstein, D-Calif., who has introduced a price cap bill, said she would "go to the wall" in fighting for such a move. After learning of Daschle's comments, she called the new majority leader and secured a promise that he will make her bill a priority when Congress returns this week - adding that Daschle had even agreed to sign on as a cosponsor.

Sen. Joseph Lieberman, the incoming chairman of the Senate Governmental Affairs Committee, said Tuesday his panel will review the refusal of federal energy regulators to impose price caps on California's soaring power costs.

"I'm going to focus in immediately on the energy problems and see if we can review what the government is doing, particularly the Federal Energy Regulatory Commission, in its decision not to get involved to put some caps on wholesale prices of electricity for California," the Connecticut Democrat said.

### **Subpoenas for energy companies**

The Senate Rules Committee agreed Monday to issue subpoenas to eight out-of-state power generating companies demanding documents on pricing, bidding and other aspects of electricity sales in the state. Sen. Joe Dunn (D-Santa Ana), chairman of the special Senate committee that is investigating whether power wholesalers are illegally profiteering from California's energy crisis, said he expects the companies to resist. That would set the stage for a court fight, he said.

### **Critics say FERC isn't aggressive, favors companies**

Critics say the federal agency that oversees California's electricity market needs to add resources and become more aggressive in watching for energy price gouging, issuing subpoenas for company documents if necessary.

The Federal Energy Regulatory Commission has been accused of backing off investigations after energy generators have resisted, prompting some FERC officials to say their own system is flawed.

The FERC has a legal obligation to ensure "just and reasonable" prices, and is meant to operate as an oversight agency, similar to the Federal Securities Commission that oversees Wall Street.

The last time FERC subpoenaed data in a nonjudicial investigation was 1985. The SEC subpoenas so many documents from financial markets no one tracks the number.

"I was basically told that it's a weapon that we keep in reserve, but that generally speaking we've got to deal with all these market participants on an ongoing basis," said William L. Massey, who became a commissioner in 1993. "We'd rather persuade them to give us this information."

But FERC's chairman Curtis Hebert Jr. insists the agency is doing all it can with what resources it has. Former FERC chairman James Hoecker says the agency needs more power.

"It can't be in a situation where it is begging the industry for information," Hoecker said.

### **Calpine plant**

In what would be a highly unusual break for a local business, San Jose officials are proposing to rewrite city law and spend tens of millions in taxpayer funds to ease construction of Calpine's controversial power plant in Coyote Valley. The provisions highlight just how far the city has come on Calpine's proposed 600-megawatt Metcalf Energy Center. Just months ago, city leaders stood in solid opposition to the \$400 million project, threatening lawsuits and other tactics to block it. Now, those same officials appear ready to go to extraordinary lengths to make Metcalf happen.

## Planned plant shutdowns easing

California's electricity production should improve in the coming weeks as more power plants come back on line after spring maintenance shutdowns, the state's grid operator said Monday.

That, coupled with conservation efforts detailed by state officials Sunday, could help during this summer's high temperatures, independent observers said -- but not enough to stave off blackouts.

"We still find blackouts are inevitable," said Michael Zenger of Cambridge Energy Research Associates, an energy research and consulting organization. "There just isn't enough generation available."

By mid-June, every existing plant is scheduled to be producing power. That contrasts with a historic high this spring when about a third of the state's power generation was unavailable due to scheduled or emergency shutdowns.

## 56% favor limits on electricity prices, poll finds

Most respondents to a Washington Post-ABC News poll released yesterday agree with California Gov. Gray Davis that the federal government should set limits on the wholesale price of electricity, which President Bush has said he opposes amid the likelihood of rolling blackouts this summer in the largest state.

## Edison says it could bail on rescue if deadline passes

Officials with debt-ridden Southern California Edison said Friday they could withdraw from a financial rescue plan with the state if a key deadline in the deal passes next week without action by state energy regulators.

If the MOU fails, Edison spokesman Craver said, Edison would have the option of selling energy produced by its Sunrise Energy project--owned by a non-regulated sister company--on the open market instead of to the state at cost-based rates mandated by the MOU.

Craver wouldn't say if Edison would file for bankruptcy protection if the deadline is missed, but he repeated that Edison didn't want bankruptcy.

Consumer advocate Harvey Rosenfield said any legislative deal will leave consumers paying for the utility's billions of dollars of debt. "An Edison bankruptcy couldn't be any worse than what the governor's proposed, which is sticking ratepayers with a 40 percent rate increase," Rosenfield said.

Bankruptcy, Rosenfield said, means the state "could take the company for a song. It'd be like shopping at Costco."

## New rates complicate power bills

Many consumers thought the old bills were confusing enough: Customers were charged one rate for electricity usage below their baseline, and a higher rate for electricity use above it. But state officials have replaced that two-tiered rate system with a five-tiered version, increasing rates by a different percentage for each tier. Your new bill shows both your total electric charge and how much the rate increase costs you. Then it breaks each of those numbers down into the five tiers. Customers who use more than 130 percent of their baseline -- considered the minimum amount of electricity needed by a household -- will be billed at increasingly higher rates.

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## Significant Energy Crisis May Events

- Assembly Speaker Robert Hertzberg leads a delegation of Assemblymembers to Boise, Idaho to address a meeting of the Federal Energy Regulatory Commission. Speaker Hertzberg and Speaker pro Temp Fred Keeley explain to FERC Chair Hebert and other commissioners that California does not seek price caps but rather cost-based pricing, where each generator is allowed their costs plus a reasonable profit. Without help, the Speaker says, the economy of the state, the region and even the nation is at risk.
  - Speaker Hertzberg leads a delegation to Washington, D.C. to meet with the California Congressional delegation, Senators and Representatives from a number of western states and FERC Commissioner Breathed to further explore avenues to aid California in bringing down the wholesale cost of electricity and natural gas.
  - The Legislature passes and the Governor signs:
    - SB 28X (Sher), speeding up the siting process for new power plants and for self-generation facilities;
    - SB 6X (Burton), establishing the California Power Authority, authorized to issue up to \$5 billion in revenue bonds to finance electricity generation projects, natural gas transmission and storage projects, and energy efficiency programs, to ensure that the state has a sufficient supply of electricity that can be delivered at reasonable rates;
    - SB 31X (Burton), authorizing the issuance of \$13.4 billion in bonds;
    - AB 3X (Wright), expanding the CARE outreach program so that more eligible low-income families can be served.
  - Oversight hearing are held on natural gas price spikes that have resulted in California natural gas prices that are ten times higher than any place in the country.
  - Hearings are convened jointly with the Senate on the State's plans for dealing with blackouts that might occur this summer.
  - Joint Budget Subcommittees holds hearings on the implementation of energy conservation legislation (AB 29X and SB 5X) approved and signed earlier this year.
  - Lawsuit is filed by the Legislature in the 9<sup>th</sup> Circuit Court of Appeals demanding FERC follow the law and institute just and reasonable rates (court declines to hear case).
  - Petition for rehearing is filed at FERC citing errors in its June 24<sup>th</sup> price mitigation ruling.
  - 1<sup>st</sup> Special Session is closed and 2<sup>nd</sup> Special Session is convened.
  - Governor Gray Davis has his first face-to-face with President George W. Bush. While Bush agrees that something is amiss with the cost of natural gas at California's borders compared to New York -- and indicates he'll send a FERC commissioner to investigate -- he offers no relief on wholesale electricity prices.
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